

1 ANTHONY ASEBEDO (State Bar No. 155105)
2 MEEGAN, HANSCHU & KASSEN BROCK

3 Attorneys at Law
4 11341 Gold Express Drive, Suite 110
5 Gold River, CA 95670
6 Telephone: (916) 925-1800
7 Facsimile: (916) 925-1265

8 Attorneys for the Debtor in Possession

9 UNITED STATES BANKRUPTCY COURT
10 EASTERN DISTRICT OF CALIFORNIA
11 [Sacramento Division]

12 In re:

13 BEEBE DIVERSIFIED, L.P.,

14 Debtor.

Case No. 16-25618-C-11
Docket Control No. [n/a]

Status Conference:

Date: November 29, 2016

Time: 10:30 a.m.

Dept: C (Courtroom 35)

Hon. Christopher M. Klein

15 **DEBTOR IN POSSESSION'S CHAPTER 11 STATUS REPORT**

16 Beebe Diversified, L.P., as debtor in possession (the "Debtor"), hereby provides
17 its Status Conference Statement to the court.

18 **I. HISTORY OF THE DEBTOR**

19 On August 25, 2016 (the "Petition Date"), the Debtor filed its voluntary chapter
20 11 petition. No trustee has been appointed in the Debtor's case, and it continues to
21 manage its assets as a debtor in possession.

22 The Debtor is a California limited partnership that was organized in 2011. It is in
23 the business of construction contracting, generally as a subcontractor. Its business
24 primarily involves commercial, industrial, and public work projects, local city and county
25 street projects, and underground municipal utility projects. As of the Petition Date, the
26 Debtor was working under several pending subcontracts and was actively seeking new
27 work. As of the Petition Date, the Debtor employed approximately sixty persons.
28

1 In May 2016 a stipulated judgment was entered through which the Operating
2 Engineers' Health and Welfare Trust Fund for Northern California and related entities
3 (collectively, the "OETF") perfected a judgment lien against the Debtor's cash and
4 receivables. The Debtor is aware of no other lien against the Debtor's cash and
5 receivables. Ford Motor Credit ("FMC") and John Deere Construction and Forestry
6 Company ("John Deere") hold perfected purchase-money security interests in certain of
7 the Debtor's vehicles and equipment and proceeds thereof.

8 The Debtor's chapter 11 petition was precipitated by levies against bank
9 accounts and receivables that were imposed under the judgment in favor of OETF.
10 These levies caused the Debtor to lack the cash reserves necessary to pay ongoing
11 business expenses, making the chapter 11 filing necessary to preserve business
12 operations.

13 The general partner in the Debtor is Elizabeth Beebe, who manages the Debtor's
14 operations. Management services are also provided by Loren Beebe, who is Elizabeth
15 Beebe's husband. Elizabeth Beebe holds an ownership interest in other construction-
16 related entities, including CivilWorks, L.P., a California limited partnership. Loren Beebe
17 holds an ownership interest in Beebe Corporation, a California corporation, which was a
18 construction contracting firm formed in 2003 and dissolved shortly before the Debtor
19 was organized.

20 II. THE CHAPTER 11 CASE TO DATE

21 At the outset of the chapter 11 case, the Debtor continued business operations
22 on the same scale and scope as pre-petition. It filed an emergency cash-collateral
23 motion (Docket Control No. MHK-1) on August 29, 2016, which motion requested
24 authority to use cash collateral from the Petition Date through December 31, 2016. To
25 date, the court has granted relief on an interim basis by way of four orders that govern
26 the use of cash collateral up through November 30, 2016. Notice of a final hearing has
27 been provided to creditors, and the hearing has been continued to November 29, 2016.

28 ///

1 Also on August 29, 2016, the Debtor filed a motion to pay certain pre-petition
2 priority wages to its employees, and to pay the associated payroll taxes and employee
3 benefits (Docket Control No. MHK-2). The benefits were payable to the various union
4 trust funds. The court granted the motion by way of an interim emergency order and a
5 final order.

6 A Committee of Unsecured Creditors has been appointed in the Debtor's chapter
7 11 case. At a hearing on November 8, 2016, the court approved the Committee's
8 employment of Christopher Hughes as its counsel.

9 By early October, the Debtor's efforts to collect existing accounts receivable
10 were of limited success, and as a result the Debtor experienced further cash-flow
11 problems when payments from customers on post-petition work were insufficient to
12 meet all post-petition obligations, including payroll taxes. By late October 2016, the
13 Debtor determined that its post-petition operations, which consisted of work that had
14 been commenced pre-petition on five different projects, would not generate profits
15 sufficient to justify completion of all such projects or the initiation of any new work that
16 might be obtained. As such, the Debtor notified the Committee that it would wind
17 down its operations. At this time, the Debtor is working only to wrap up minor work
18 on projects that are to be completed before the end of the year, and the Debtor plans to
19 stop work on one project that will be completed by another subcontractor to be
20 selected by the general contractor. While the Debtor is contemplating a job for certain
21 short-term work in Folsom, California, it would be only on a time-and-materials basis
22 and could be commenced only if amounts of relevant expenses stated in the current
23 cash-collateral order will permit such expenses to be paid.

24 On October 14, 2016, the landlord for the Debtor's storage and office premises
25 in Rancho Cordova, California, filed a motion for relief from the automatic stay to evict
26 the Debtor from those premises. The motion was withdrawn, however, just before the
27 hearing on November 8, 2016, shortly after the Debtor brought post-petition rent
28 payments current.

1 John Deere also filed a motion seeking relief from the automatic stay to
2 repossess and dispose of equipment of the Debtor that was financed by John Deere.
3 The motion is set to be heard on December 6, 2016. At this time, the Debtor is
4 communicating with counsel for John Deere regarding a possible agreed disposition of
5 collateral at auction, and the Debtor plans to discuss the same with FMC regarding its
6 collateral, which consists of various trucks and work vehicles that were financed by
7 FMC.

8 Finally, on November 9, 2016, IPFS Corporation, which financed premiums for
9 several insurance policies that have continued in force post-petition, filed a motion for
10 relief from the automatic stay. While IPFS alleges that it has not received any post-
11 petition payments from the Debtor as adequate protection of its interest, the Debtor
12 asserts that has made certain payments to IPFS, and plans to oppose the motion.

13 The Debtor is working to gather up its equipment and vehicles for disposition.
14 The Debtor plans to seek this court's approval to employ Ritchie Brothers to conduct an
15 auction of its unencumbered equipment and vehicles. If secured creditors agree and the
16 court approves, the auction may include over-encumbered equipment, on the principle
17 that a greater amount of auctioned equipment and vehicles at auction will generate
18 more interest and bidders and therefore is more likely to generate higher returns for the
19 estate. To the extent any equipment would be auctioned for the benefit of the secured
20 creditors without generating funds for unsecured creditors of the estate, however, the
21 estate would bear no expense in connection with the staging, preparation, and sale of
22 such equipment or vehicles.

23 III. TYPE OF PLAN

24 The Debtor anticipates that it will propose a plan of liquidation under which it
25 will manage efforts to collect amounts due and will supervise the liquidation of assets
26 having equity for the benefit of unsecured creditors.

27 ///

28 ///

1 **IV. CRAMDOWN**

2 At this time, the Debtor anticipates that it will work to obtain confirmation of a
3 plan under 11 U.S.C. § 1129(a).

4 **V. VALUATION OF ASSETS**

5 The Debtor does not anticipate the need to obtain valuation of property under
6 Federal Rule of Bankruptcy Procedure 3012.

7 **VI. CASH COLLATERAL & ADEQUATE PROTECTION**

8 As noted above, the Debtor has obtained authority to use cash collateral
9 consisting of the proceeds of accounts receivable, up through November 30, 2016, and
10 a hearing is set for November 29, 2016 as to such use in December 2016. At this
11 time, no orders have been entered requiring adequate protection payments to any
12 secured creditor.

13 **VII. ADVERSARY PROCEEDINGS**

14 At this time, the Debtor believes that litigation to collect sums owing on its
15 accounts receivable, specifically the account owed by California Water Service
16 Company ("Cal Water") may be necessary. The Debtor, however, has reached an
17 agreement with Cal Water to resolve some of the outstanding issues between the
18 parties, and a motion to permit Cal Water to pay certain claims against the estate
19 (Docket Control No. MHK-5) is set to be heard on November 15, 2016.

20 **VIII. ENVIRONMENTAL ISSUES**

21 The Debtor is not aware of any potential claims or litigation based on federal or
22 state environmental laws.

23 **IX. OBJECTIONS TO CLAIMS**

24 The claims bar date has yet to run in this case, and as such the Debtor does not
25 know whether objections will be necessary.

26 **X. POST-CONFIRMATION SALES OF ASSETS**

27 The Debtor will seek to sell its assets pre-confirmation, but if necessary any plan
28 of liquidation would be drafted to permit post-confirmation sales as well.

1 **XI. PROFESSIONAL FEES**

2 Attorneys. by way of an order dated September 19, 2016, the court approved
3 the Debtor's employment of Meegan, Hanschu & Kassenbrock ("MHK") as its general
4 bankruptcy counsel (Docket Control No. MHK-4). MHK holds no retainer or property of
5 the Debtor, and has agreed to be paid on an hourly-fee basis, subject to this court's
6 approval.

7 Accountants. If the Debtor finds it necessary to have the assistance of certified
8 public accountants in this case, it will file an application for such employment.

9 Other Professionals. At this time, the Debtor anticipates that it seek to employ
10 an auctioneer, as described above.

11 **XII. SMALL BUSINESS DEBTOR**

12 The Debtor's case is not a small business case under 11 U.S.C. § 1121(e).

13 Respectfully submitted,

14 Dated: 11.14.16

BEEBE DIVERSIFIED, L.P.

16 E. Beebe, General Partner
17 By: Elizabeth Beebe
18 Its: General Partner

19 Dated: Nov. 14, 2016

MEEGAN, HANSCHU & KASSENBRICK

20
21 By: Anthony Asebedo
22 Anthony Asebedo
23 Attorneys for the Debtor
24
25
26
27
28